

Capital Securities Corporation

Implementation Statutes on Whistleblower Protection

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Article 1 To establish an honest and transparent corporate culture and enhance operations, our company encourages the reporting of illegal practices/activities. Based on article 8 and clause 1 of Article 28 of the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets”, our company has thereby devised these statutes.

Article 2 An individual shall make a report if he discovers any crime, fraud or illegal acts in the company. However, our statutes do not apply to the following situations:

1. Innovation or improvement measures on our company’s management regulations and procedures;
2. Human resources-related issues for which our company has established a set of complaint procedures;
3. Personal/private issues arising from social activities or familial/kin relationships.

Article 3 Based on our statutes, our company shall accept a report describing the following situations:

1. Crime that infringes on our company’s rights and punishable by law in the R.O.C.;
2. Fraud, which is considered dishonest deeds according to our company’s “Procedures for Ethical Management and Guidelines for Conduct”;
3. Illegal acts that infringe on our company’s rights and violate finance laws or the regulations/directives issued by the Financial Supervisory Commission in Taiwan.

Article 4 Our auditing department is in charge of case receipt and investigation. A whistleblower may report a case in any of the following ways:

1. Our whistleblower hotline and email address
2. Snail mail (our company’s address)
Mail recipient: the responsible unit

The whistleblower must provide at least the following information:

1. His authentic name;

2. Effective means of contact (ie address, phone number and email address);
3. Name of the person reported or any data helpful to identify the person reported;
4. Time, place and any other concrete evidence that may be investigated or supports reasonable doubt involving the reported person and incident.

Article 5

Upon receiving the report, the responsible unit shall record the case and consider dealing with it based on the document(s) submitted by the whistleblower, report/statement on record or any other relevant data.

The responsible unit shall not accept but may file the report in the event of the following:

1. When the whistleblower did not provide an effective means of contact;
2. The reported incident does not fall within the applicable scope or type;
3. The incident report did not come with the data required or is found to be malicious or false;
4. The incident has been investigated and is dismissed or closed. However, it shall be re-investigated once the whistleblower submits new evidence proving the case must be re-investigated;
5. The incident is being investigated by the prosecutors and/or police, is now tried in court, has been judged by court or is under mediation, conciliation, or arbitration.

If the incident has been reported by someone else earlier or is currently being investigated or dealt with, the two reports shall be handled as one case.

About the dismissed case (while documented on record), our company shall launch an investigation if the case is serious with evidence necessitating an investigation.

Article 6

The responsible unit shall report the case and its investigation principles/process to our chairman or auditing committee depending on how serious the case is. The persons having a conflict of interest shall avoid the investigation.

The responsible unit shall investigate the reported case and evidence based on the following principles:

1. The responsible unit shall request related departments to provide assistance in investigation;
2. The responsible unit shall provide the reported person and/or relevant parties sufficient opportunities to state their opinions or defend themselves in an objective and just manner;
3. The responsible unit shall summon the whistleblower, the reported person or

other relevant parties to explain their cases. It may solicit the assistance of internal/external parties with relevant expertise/experiences.

If the investigation confirms the reported case as a serious or illegal incident, our company may implement punishment measures on the reported party based on our internal rules/regulations and shall make a report to the authorities concerned. However, before taking these actions, the reported person shall be given an opportunity to express his opinions or make an appeal.

Article 7 The responsible unit shall complete its investigation within three months. If it is considered necessary to lengthen the investigation, it may be lengthened just once for a maximum of three months.

Once the investigation is over, the responsible unit shall make a written report based on the investigation results and handling suggestions before informing the whistleblower. If the reported party is a board member (including independent board member) or part of the management team including and above the Vice President, the investigation report shall be submitted to the Auditing Committee for a second review. An oral report shall also be made to the Board of Directors about the investigation.

Article 8 If the reported incident is verified to be true, the following procedures shall be taken:

1. The reported person should stop its misconduct immediately while the responsible unit takes necessary precautions or make emergency responses;
2. The relevant department is required to review its existing practices and devise improvement measures for the investigative unit to track its process until the improvement is completed;
3. If the incident is deemed a serious offense or may cause serious damage to our company, the relevant department shall submit its improvement plan and execution results to the Auditing Committee;
4. If necessary, our company may seek compensation through legal action to maintain our reputation and rights.

Article 9 Our company shall provide protection to whistleblowers in the following ways:

1. The identity of the whistleblower shall be protected; any information that may disclose his identity shall not be revealed;
2. The whistleblower shall not be laid off, discharged, demoted, have his pay cuts or rights violated based on applicable labor laws, contracts or practices.

Article 10 The responsible/investigative unit shall document and retain all the necessary data/information in written or electronic forms for at least five years. Before that time is up, should a lawsuit occurs that is similar to the reported incident, the data shall be kept until the lawsuit is over.

Article 11 If the reported incident is confirmed to be false or malicious, in addition to potential civil and criminal liability, the whistleblower shall be punished by the Personnel Affairs Committee.

If the reported incident is verified to be true, considering his contribution to our company, the whistleblower may receive appropriate rewards based on our personnel rules and regulations.

Article 12 Our company shall conduct regular training on the whistleblowing system among relevant personnel.

Article 13 Any unspecified conditions shall be dealt with according to relevant laws and our company's rules and regulations.

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